

# Year End Report

## 2014

February 11, 2015

**OVAKO**

# Brief overview Full Year 2014 1(3)

## 1. Stable full year with positive growth and EBITDA development as well as strong cash flow

- For the full year Ovako grew 3 percent in volume
- EBITDA improved with 47 percent to 69 MEUR.
- Cash flow from operating activities more than tripled compared to the previous year to 66 MEUR
- Sales volumes for the fourth quarter were 6 percent below the same period last year, and revenue was down 3 percent

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## 2. Ovako continues to strengthen its customer offering and grow in new markets

- During the year Ovako launch three new attribute brands. WR-Steel® for improved wear resistance, and our BQ- and IQ-Steels® to avoid metal fatigue are now improved and launched in the market.
- Investments in our production system were still significant during 2014 and reached 34 MEUR, however decreased compared to the year before. The biggest project by far was the installation of a new continuous caster in the steel mill in Smedjebacken.
- Investments in new markets grew ahead of the group average and now account for 22 percent of our sales. Our target level is 30 percent of our total sales in 2017.

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## **3. Uncertain Europe gives continued focus on operational efficiency to secure growth initiatives.**

- Three year programme launched in 2014 to reduce costs with 34 MEUR. The program includes productivity improvements, cost reductions in purchasing, and an energy efficiency program. During the fourth quarter, the Cromax unit in Mora was closed as planned.
- The full program resulted in 15 MEUR of savings for 2014. For 2015 another 9 MEUR is planned for.

# Short-term outlook

- The economic recovery in Europe is characterized by uncertainty and we expect the market for engineering steel in Europe to remain at a similar level compared to 2014.
- We expect Ovako sales volumes in the first quarter to be in line with or slightly lower than in the same quarter last year, but significantly above the seasonally weak fourth quarter.

# Summary of Full-year 2014

## Full-year 2014

- Sales volumes increased by 3 percent compared to the previous year, and revenue by 1 percent
- Operating profit before depreciation and amortisation (EBITDA) amounted to EUR 69 (47) million, supported by higher volumes, improved product mix, implemented cost reduction programme and a weaker Swedish krona
- Operating profit (EBIT) amounted to EUR 15 (1) million
- Cash flow from operating activities amounted to EUR 66 (20) million

*Amounts in brackets in this report refer to the corresponding period in the previous year.*

# Summary of fourth quarter 2014

## Fourth quarter 2014

- Sales volumes were 6 percent below the fourth quarter of 2013, and revenue was down 3 percent
- Operating profit before depreciation and amortisation (EBITDA) amounted to EUR 4 (8) million. The weaker outcome is largely explained by lower sales volumes and inventory reductions
- Operating profit (EBIT) amounted to EUR -15 (-4) million
- Cash flows from operating activities amounted to EUR 42 (4) million, significantly strengthened through reductions of inventories and other trade working capital
- Order intake for the quarter was 7 percent weaker than in the same period the previous year. The order book at end of year was on the same level as at the end of 2013

*Amounts in brackets in this report refer to the corresponding period in the previous year.*

# Summary of key figures

## Group key figures

		2014 Q4	2013 Q4	2014 Full year	2013 Full year
Sales volumes	kton	160	171	697	675
Revenue	EURm	199	205	862	850
Operating profit before depreciation (EBITDA)	EURm	4	8	69	47
EBITDA margin	%	2.0 %	3.8 %	7.9 %	5.5 %
Operating profit (EBIT)	EURm	-15	-4	15	-1
EBIT margin	%	-7.3 %	-2.0 %	1.7 %	0.0 %
Net profit/loss	EURm	-15	-6	-15	-21
Earnings per share	EUR	-306	-128	-302	-412
Cash flow from operating activities	EURm	42	4	66	20
Net debt/equity ratio	%	152 %	160 %	152 %	160 %
Return on capital employed (ROCE)	%	3 %	0 %	3 %	0 %
Number of employees at end of period (FTE)	No.	2 925	2 995	2925	2 995